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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of	)	
	)	
Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996	))))	CC Docket No. 96-128

COMMENTS OF CABLE & WIRELESS, INC.

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SUMMARY

In *Illinois Public Telecommunications Association*, the Court of Appeals vacated the Commission's per-call and interim per-phone compensation plans. Specifically, the Court found the per-call default rate to be arbitrarily high and the interim per-phone plan arbitrary and capricious in both the amount of compensation ordered and the method by which it was allocated among carriers receiving compensable calls. Nevertheless, the Bureau, in its *Public Notice*, asserts that carriers, such as Cable & Wireless, Inc. ("CWI"), somehow are still subject to the same arbitrary and capricious rules that the Court vacated. Clearly, this cannot be so, for the Bureau's position not only is inconsistent with the Court's decision, but it also violates fundamental principles of administrative law.

Accordingly, CWI submits that the Commission should forego adoption of an interim plan and focus its energies on establishing a plan that is both permanent and fair. A fair compensation plan would include a default compensation rate based on a reasonably efficient PSP's costs of originating access code and subscriber 800 calls. CWI believes that adoption of a marginal cost standard would be fair to all parties and consumers. If the Commission finds it necessary to include a portion of equipment costs, CWI submits that forward-looking direct costs should be used. CWI also urges the Commission to set a single, national compensation rate for compensable calls.

Further, CWI believes that the Court's decision and the Act require the Commission to adopt a compensation plan that requires all carriers receiving calls, including LECs and small IXCs, to contribute in a rationally apportioned manner.

CWI also agrees with the Court that there is no nexus between total toll revenues and

the number of payphone-originated calls. Thus, CWI submits that the Commission must adopt a compensation plan that is apportioned on some factor which relates to the number of payphone-originated calls received by the carrier.

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COMMENTS OF CABLE & WIRELESS, INC.

Cable & Wireless, Inc. ("CWI"), through its undersigned counsel, submits its initial comments on the issues raised by the Court of Appeals' decision in *Illinois Pub. Telecom. Ass'n v. FCC.*[1]

I. INTRODUCTION

In *Illinois Pub. Telecom. Ass'n*, the Court of Appeals held that the Federal Communications Commission ("FCC" or "Commission") acted arbitrarily and capriciously in establishing both a per-call and an interim per-phone compensation plan pursuant to Section 276 of the Communications Act, as amended. First, the Court held that the FCC acted arbitrarily in basing the default compensation rate on deregulated local coin call rates, because the record was "replete with evidence" that the costs of local coin calls were not similar to the costs of originating coinless calls. Specifically, the Court explained that the FCC ignored "solid data" showing that the costs of local coin calls are higher than the costs

[1] *Illinois Pub. Telecom. Ass'n v. FCC*, No 96-1394 et al (D.C. Cir. July 1, 1997) (hereinafter "*Op.*"); *see Public Notice*, DA 97-1673 (rel. Aug. 5, 1997).

of coinless calls because (1) local coin calls incur the cost of coin equipment and coin collection, costs which are not incurred by coinless calls, and (2) the local coin rate includes the costs of both originating and terminating calls (*i.e.*, "end-to-end" costs), while a PSP must only originate coinless calls. Even APCC had conceded the latter point. Therefore, the Court concluded that the default rate "cannot stand" and remanded the matter to the Commission to set a new compensation amount.

Second, the Court found the Commission acted arbitrarily and capriciously in adopting its interim per-phone compensation plan. For the same reasons that it was arbitrary to use the deregulated local coin rate as the default compensation amount, the Court held that it was arbitrary to calculate per-phone compensation by imputing a $0.35 local coin rate as the compensation amount for these calls. In addition, the Commission improperly limited the carriers responsible for paying compensation to only the largest IXCs, even though many other carriers, including LECs and smaller IXCs, also receive compensable calls. The Court rejected the Commission's "administrative convenience" rationale for this limitation, holding that "administrative convenience cannot possible justify an interim plan that exempts all but the large IXCs from paying for the costs of services received." *Op*. at 17. Finally, the Commission did not establish any nexus between its standard for determining a carrier's relative compensation obligation (total toll revenues) and the number of payphone originated calls the carrier receives. *Id.*

In a *Public Notice* released August 5, 1997, the Common Carrier Bureau requested comment on the issues that had been remanded by the Court in *Illinois Pub.*

Telecom. Ass'n. Specifically, the Bureau requested that parties submit data on the differences in cost to PSPs in originating access code/800 calls compared to the cost of providing local coin calls, and to identify the appropriate amount of compensation the Commission should prescribe. Further, the Bureau asked for comment on how its interim compensation plan should be modified to establish a proper aggregate amount of compensation per payphone and to establish the identity and relative compensation obligations of carriers receiving compensable calls.

Significantly, CWI believes the *Public Notice* misinterprets the effect of the Court's decision on the Commission's payphone compensation rules pending action on remand. The *Public Notice*, giving dispositive significance to the form rather than the substance of the Court's decision, concludes that the Court "actually vacated only one narrow aspect" of its payphone rules and, therefore, declares that carriers, such as CWI, must continue to pay compensation pursuant to the same interim plan the Court found arbitrary and capricious, *and* must do so at the same arbitrarily high rate, without any assurance that it will remedy the harmful effects such actions would have.[2] However, when the substance of the Court's decision is examined, it is clear that (1) the Court found the default rate arbitrarily high, and concluded it "cannot stand," (2) the Court found the interim per-phone plan arbitrary and capricious in both the amount of compensation ordered and the method by which it was allocated among carriers receiving compensable calls, and therefore, (3) the Court granted the IXCs' petitions for review (which asked that the orders be vacated) in

[2] *Public Notice*, at 1-2.

these parts. Given these undisputed facts, both the force and logic of the Court's opinion point to the conclusion that the FCC's compensation rules are vacated pending action on remand.

Based upon the Court's ruling, CWI believes that no valid payphone compensation obligation could possibly be in place at this time, and that it is not obligated to pay the interim compensation amount to PSPs pending action on remand. CWI does not contest the Commission's authority to adopt a reasonable "interim" interim plan, which will apply until it issues a final order on remand, *provided*, the Commission makes a reasonable effort to respond to the Court's opinion and to address the effects of those portions of the rules found arbitrary and capricious. *See Mid-Tex Electric Coop. v. FERC*, 822 F.2d 1123 (D.C. Cir. 1987). In addition, the effect of vacating the new payphone compensation rule is to "spring" the *old* payphone compensation rule back into effect, pending further action by the Commission. *See Computer III Remand Proceedings*, 5 FCC Rcd 7719, 7719 and n.18 (1990). Thus, the Commission has the ability to ensure fair compensation to PSPs during the remand, if it determines that action is necessary. It cannot, however, deem that the very same arbitrary and capricious rule remains in effect, as if it had been upheld on appeal.[3]

However, as discussed in Section III, *infra*, CWI questions the wisdom of continuing with "interim" measures at this time. CWI urges the Commission to expend its

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[3] In order to eliminate any confusion caused by the *Public Notice*, CWI and eight other carriers have petitioned the Court of Appeals for an order clarifying that its opinion vacates the FCC's compensation rules pending remand. Petition for Clarification or, Alternatively, for Partial Rehearing, D.C. Cir. No. 96-1394 (filed Aug. 15, 1997).

limited and valuable resources finalizing a per-call compensation mechanism in accordance with Congress' and the Court's directives.

II. THE COMMISSION SHOULD SET A NEW DEFAULT COMPENSATION AMOUNT CALCULATED ON A REASONABLY EFFICIENT PSP's COST OF ORIGINATING ACCESS CODE AND SUBSCRIBER 800 CALLS.

In remanding the default compensation level, the Court of Appeals unambiguously rejected the proposition that the costs of all payphone calls are similar. *Op.* at 14. It found that several parties, including CWI, had submitted "solid data" showing that the costs of local coin calls were higher than the costs of originating coinless calls (*e.g.*, access code and subscriber 800 calls), a point that even APCC conceded. *Id.* In order to respond to the Court's remand, the Commission must now face this data squarely, and choose a default compensation amount that reflects only the cost of access code and subscriber 800 calls, not the costs of other calls originated from payphones. There is no ready-made surrogate that can be used to determine the cost of compensable payphone calls. Rather, the Commission must examine the costs of originating these calls, and should set compensation equal to the additional, or marginal, costs created by access code and subscriber 800 calls. CWI recognizes that the Commission has indicated that every call should make some contribution toward the fixed cost of providing a payphone. Although it is not necessary for access code and subscriber 800 calls to bear a portion of these costs in order to ensure that PSPs are fairly compensated (both for individual calls and for all calls overall), if the Commission wants to provide such a contribution, it should set compensation based on the forward-looking direct costs incurred to originate these calls.

Significantly, neither CWI nor the Court challenge the FCC's conclusion in its *Payphone Orders* that "fair" compensation means compensation that is tied to a PSP's costs in originating the compensable calls. *See, e.g., Report and Order*, ¶¶ 67, 70 (concluding that "PSPs should be compensated for their costs in originating . . . calls using their payphones" and that "deregulated local coin rates are the best available surrogates for payphone costs"). The Commission erred not in choosing cost-based compensation, but in adopting a "market-based" surrogate that did not reflect the costs of these calls.[4] Indeed, cost-based compensation is the only compensation rate that is "fair" to all entities (including consumers). Thus, the question for the Commission on remand is simple: what costs are created by *access code and subscriber 800 calls*, as opposed to other calls from payphones?

In its initial comments in July 1996, CWI recommended that the Commission prescribe compensation based on the marginal costs of originating these calls, and it continues to believe that this approach best fulfills Section 276's mandate that the Commission ensure PSPs are "fairly compensated" for each and every call from their payphones. "Fair" compensation pursuant to Section 276 requires the Commission to ensure

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[4] The *Payphone Orders* did not eschew cost-based compensation in favor of "market-based" compensation, as the *Public Notice* suggests. *Public Notice* at 2 (asking how cost differences affect a "market-based compensation amount"). Rather, the Commission adopted costs as the appropriate standard, but used a "market" rate (the local coin rate) as a surrogate for determining those costs. The Court's opinion, which found that the surrogate did not reflect cost differences in the types of calls, supports the interpretation that Section 276 requires cost-based compensation.

that, as a whole, PSPs can recover their costs and that no call avoid contributing to the costs it creates. It does not require, however, that each and every call contribute equally toward a PSP's overall return. Indeed, the lesson to be learned from the Court's remand is that compensation for a particular call must bear a relationship to *its* costs, not the costs of some other calls placed from the payphone.

The marginal cost standard for access code and subscriber 800 calls is fair to PSPs, consumers and carriers because these calls are a by-product of a payphone installation, not its primary purpose. Data recently published by APCC indicate that an average independent payphone originates over 713 calls per month, the overwhelming majority (72 percent) of which are local and 1+ coin calls.[5] These calls drive the economic decision as to whether and where to install a payphone. In addition, the Commission has granted PSPs complete flexibility in determining the price it will charge for these calls.[6] Access code and subscriber 800 calls, while no longer a *de minimis* consideration, do not determine whether a PSP will install a particular payphone.

As a result, the existence of a payphone can be regarded as a given for purposes of determining compensation. To the extent that a PSP needs a minimum level of

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[5] "The Numbers are in . . .", *Perspectives*, Aug. 1997 at 35 (attached as Exhibit A). The applicability of this estimate to local exchange carrier payphones has not been established.

[6] At a local coin rate of $0.35 per call, the PSP will derive at least $178.85 per month from the 511 local and 1+ coin calls APCC reports. *See id.* (511 of 713 calls are coin calls). Indeed, since some of the 511 calls are 1+ (sent-paid) coin calls, which average significantly more than $0.35 per call, a PSP's revenue from coin calls will be even higher.

income to install a payphone, that income is guaranteed by the deregulated rate PSPs will soon be able to charge for the nearly three-quarters of their traffic that are coin calls. On the other hand, PSPs are compelled by statute to permit access code calling (but not to permit 800 calling), and some compensation for this public policy choice is appropriate. But the PSP's cost of permitting such access is only the additional or incremental costs that are created when a caller uses an access code to place a call. The relevant cost factors for this would be the additional maintenance and wear and tear occasioned by the increased usage and the per-minute usage charges (if any) imposed by a LEC for originating access code or subscriber 800 calls.

In the alternative, if the Commission wishes also to include a portion of the equipment costs incurred to install a payphone, CWI recommends that the Commission base compensation on the forward-looking, direct costs incurred by an access code or subscriber 800 call. Direct costs would include not only the marginal costs created by an access code or subscriber 800 call, but also a share of the equipment and payphone line expense attributable to usage of the payphone. In order to arrive at these direct costs, assume for a moment that one would install a payphone solely to originate access code and subscriber 800 calls. The cost of such a payphone would be comprised of three elements: (1) the cost of acquiring and installing a coinless payphone, amortized over an appropriate period, (2) the cost of maintaining that equipment, and (3) the cost of a basic phone line (plus usage, if separate usage charges are incurred for access code and subscriber 800 calls). These are the direct costs created by coinless calls, and these are the costs to which compensable calls should pay their share, in proportion to overall usage of the payphone (which in the hypothetical was 100 percent, but which is merely a fraction of that in an actual environment).

By the same token, the direct cost of access code and subscriber 800 calls should *exclude* those costs that are not created by the origination of coinless calls. Principally, this includes the costs of coin equipment and coin collection, both of which are unique to coin calls. A payphone equipped with coin capability is more expensive than a coinless phone. In addition, coin phones require greater maintenance, due to broken or jammed coin mechanisms, and require more frequent site visits in order to collect the monies deposited in the phones. These costs are not necessary to originate access code and subscriber 800 calls, and should not be recovered by these calls.

Direct costs also should exclude costs of *terminating* local calls, such as long distance charges assessed on 1+ calls and usage charges for *local* coin calls. Further, commissions paid to location owners should be excluded, because these commissions are paid on 0+ and 1+ revenues generated by the phone, not on other call types, such as access code or subscriber 800 calls. Finally, administrative or overhead charges are not properly attributable to coinless calls, and should not be included in the compensation amount.[7]

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[7] The *Public Notice* also asks for comment on whether the local coin rate may be used as a starting point, with an offset for expenses unique to those calls. *Public Notice* at 2. CWI does not recommend this approach. However, if the Commission uses this approach, it also must subtract from the local coin rate an amount equal to a carrier's costs in tracking and billing compensation under the Commission's orders. The Commission places these costs on the carrier receiving the call, even though they are billing costs that ordinarily would be placed (continued...)

Regardless of which of these methods are used to calculate the compensation amount, CWI stresses that the Commission should set a single, national compensation rate for these calls, rather than allow the rate to vary by PSP, by phone, or even over time. All parties involved need a system which is uniform, predictable, and easy to administer. By prescribing a single compensation rate (absent an agreement, of course), the Commission will provide that certainty, and will reduce the chances that calls will be blocked due solely to a carrier's lack of information concerning the rate to be charged. The Commission also should avoid any plan that, like the plan originally adopted, creates incentives for PSPs to engage in strategic pricing of payphone calls in order to maximize hidden compensation surcharges. For example, one by-product of basing the compensation rate on the local coin rate was to alter the factors a PSP would consider in setting a local coin rates, thereby creating the possibility that a PSP would offset any decrease in local calling with additional (hidden) surcharge revenue generated by dial around compensation. By prescribing a specific rate, the Commission can avoid this potential problem.

Finally, CWI submits that the Commission erroneously concluded that carriers would be able to block calls from payphones, thereby avoiding any compensation rate which the carrier believes to be unjust. However, blocking is not an option for all carriers. For example, CWI's network can only accomplish blocking for EVERY call from a payphone. CWI cannot selectively block subscriber 800 calls, but continue to allow calls charged to

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[7](...continued)
on the entity seeking payment (*i.e.*, the PSP). Carriers should not be forced to undertake these actions on the PSPs' behalf without receiving compensation from them.

calling or debit cards. CWI's network is capable of only a "least common denominator" approach -- blocking for one product or customer will necessitate blocking for every CWI product originating at the payphone. Surely, such a result is not in the public interest.

III. THE COMMISSION SHOULD FOCUS ON MOVING FORWARD WITH A PERMANENT PER-CALL COMPENSATION PLAN

A. The Interim Plan Should Be Abandoned

The Court ruled the Comission's interim compensation plan invalid based on a number of factors. First, the Court found that the Commission's per call compensation rate of $0.35 "epitomizes arbitrary and capricious decisionmaking."[8] Second, the Court found that "the FCC acted arbitrarily and capriciously in requiring payments only from large IXCs' for the interim plan."[9] Finally, and "[p]erhaps more fundamentally, the FCC did not adequately justify why it based its interim plan on total toll revenues, as it did not establish a nexus between total toll revenues and the number of payphone-originated calls."[10] In fact, the Court found little in the Commission's interim plan which was in accordance with generally established principles of administrative law. In short, the interim plan, as structured by the Commission, simply cannot stand.

CWI believes that the Commission should abandon its interim plan and focus its efforts on developing a permanent plan which provides fair compensation for payphone

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8 *Op*. at 15.

9 *Op*. at 17.

10 *Id*.

owners in accordance with the Telecommunications Act and the Court's mandate. No interim plan was mandated by Congress. Indeed, it is clear that the interim plan fails to comply with Congress' mandate that compensation be paid for EACH and EVERY call. Moreover, CWI believes that Section 276 does not contemplate Commission enactment of rules based on a surrogate method -- let alone, one that was already in effect. And, while the Telecommunications Act required the Commission to *enact rules* within nine months -- a deadline met by the Commission -- the Act contained no demands on when compensation was to begin. Therefore, it is illogical to believe that Congress wanted compensation to begin before the mechanisms were in place to accomplish the directives contained in Section 276.

Further, CWI submits that interim compensation is not in the public interest. Until carriers are able to track and compensate on a per call basis, all users will be forced to pay the costs of compensation, rather than those who actually incur them. Once a per-call mechanism is in place, consumers will be able to make a reasonable informed decision about whether they choose to incur the additional charges associated with making calls from payphones. In short, all users would be forced to subsidize those callers choosing to use payphones. These are the very types of subsidies identified and eliminated by the Commission in its recent Access Charge Reform Order.[11]

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[11] *Access Charge Reform*, CC Docket No. 96-262, *First Report and Order* (rel. May 16, 1997). In its Order, the FCC directed LECs to recover those NTS costs through more economically efficient, flat-rated charges finding that the current rules amounted to "an implicit subsidy from high-volume users of interstate toll services to low-volume users of interstate long-distance services." *Id.* at 5.

Thus, CWI believes that the Commission should work as judiciously as possible to determine an appropriate per call compensation rate. CWI has spent thousands of dollars and employee hours to develop the per call tracking system mandated by the Commission. CWI's network, which is comprised of multiple switches and platforms necessary to support over 20 individualized products (each with multiple features and call scenarios), have all been upgraded to comply with the Commission's Order. In some cases, these changes were extremely difficult and costly -- some involved vendor development of new software. Countless hours have been spent developing and implementing new computer logic and programs, which will allow CWI to identify, track and compensate for payphone originated calls. Testing already has begun involving representatives from over ten CWI departments. In short, CWI has spent countless administrative and financial resources to prepare for the October 7 launch of per call compensation. The Commission now should expend the same resources it has required of the industry and expeditiously review the comments in order to set an appropriate and permanent per-call rate in accordance with the Court's mandate. Implementation of a permanent per-call compensation scheme is the only mechanism for payphone owners to receive just compensation for each and every call in accordance with the Telecommunications Act.

B. Any New Interim Compensation Plan Adopted by the Commission Must Be Consistent With the Court's *Illinois Pub. Telecom. Ass'n* Decision

Should the Commission feel compelled to develop a new interim compensation plan, CWI urges the Commission to be mindful of the changes which must be made to withstand further judicial scrutiny. Any new plan must (1) include a compenstion rate tied to the cost of 800 and access code calls, (2) include all carriers receiving calls from payphones and (3) be apportioned on some factor which relates to the number of payphone-originated calls received by the carrier.

CWI carefully has considered the appropriate structure for an interim plan which meets the Court's requirements. With regard to the appropriate rate, CWI believes that it should be based on a reasonably efficient PSPs cost of originating access code and subscriber 800 calls.

Additionally, any interim plan must include all carriers capable of receiving calls from payphones. In the *Report and Order*, the Commission determined that compensation must be prescribed for the following types of calls: interLATA and intraLATA access code calls, interLATA and intraLATA toll-free calls, and 0+ intraLATA calls. Despite the Act's mandate that each and every call be compensated, the Commission's interim plan excuses from the payment obligation two categories of carriers that benefit from these compensable calls: LECs and small IXCs. Neither exclusion can be justified under Section 276.

Both LECs and small IXCs receive the types of calls for which compensation is prescribed. In many states, LECs continue to have a monopoly on 0+ intraLATA calls from payphones, and in many instances, receive such calls without paying any commissions to the premise owner.[12] In addition, a number of LECs, both BOC and independent, offer

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[12] *Report and Order*, ¶ 53.

interLATA toll services, including services which rely upon an 800 access number.[13] Similarly, most IXCs, whether large or small, offer one or more 800 services and offer a calling card option with their 1+ services. Moreover, every operator service provider, regardless of size, is required to have an 800 access number,[14] and many offer other methods of access code dialing as well.

That LECs and small IXCs receive compensable calls should come as no surprise. Nevertheless, the Commission wholly excuses these entities from the per-phone compensation plan (despite the fact that elsewhere in the *Report and Order*, the Commission acknowledges that Section 276 requires participation of *all* carriers receiving calls from payphones). Indeed, the Commission concluded that "exemptions from the obligation to pay compensation, *even on an interim basis*, would be contrary to the congressional mandate that we ensure fair compensation for 'each and every completed intrastate and interstate call.'"[15] This logic applies squarely to the interim per-phone plan ordered in the *Report and Order*.

In this regard, CWI believes there is ample evidence to identify the existence of all LECs and IXCs, the parties responsible for paying interim compensation. This information can be obtained from various reports on file at the Commission, including the

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13 For example, according to *Comm. Daily*, GTE is now offering interLATA toll services in 31 states. *Comm. Daily*, Oct. 17, 1996 at 4. Moreover, all of the BOCs have announced plans to offer out-of-region interLATA services, with at least a few currently offering such services. *See, e.g.*, WorldCom Comments at 7, n.12.

14 47 C.F.R. § 64.705(d).

15 *Report and Order*, ¶ 87.

Statistics of Common Carriers; NECA reports, such as that used for administration of the TRS fund; and the new Universal Service Worksheet, to be filed in September by all providers of interstate and international telecommunications.

CWI reminds the Commission that even after a rate is adopted in accordance with the Court's decision, and all appropriate parties are identified, the Commission is still faced with a third dilemma -- how to apportion the costs among the carriers. CWI agrees with the Court that there is no nexus between total toll revenues and the number of payphone-originated calls. For example, some carriers rely heavily on the existence of dial-around traffic to achieve total toll revenues. Other carriers, such as CWI, operate "closed" networks. CWI will not accept calls originated from a source other that a CWI presubscribed line, unless the party is a CWI customer with a with a CWI calling card. CWI does not provide third party billing or collect calling for non-CWI customers. Allocating compensation based on total toll revenues without any concomitant review of the specific business objectives of the carrier is simply not rational.

CONCLUSION

For the foregoing reasons, the Commission should abandon its attempts to "fix" the interim plan, and move forward to set a new default rate to replace the rate which has been vacated by the Court of Appeals. Quick and expeditious action by the Commission will allow per-call payphone compensation to begin as scheduled on October 7, 1997.

Respectfully submitted,

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EXHIBIT A

The Numbers *are in...*

APCC's SMDR Project provides telling statistics on payphone calls

by Gregory V. Haledjian

How many calls are made from an average payphone each month? How many of them are coin? How many are non-coin? How many are dial-around? Which interexchange carriers (IXCs) get the most calls from payphones? Independent public payphone (IPP) providers can answer these questions about their own phones, but industry-wide statistics haven't been available until just recently. Now, providers can compare their own information with industry-wide numbers, and the American Public Communications Council Inc. (APCC) can use the statistics for legal, legislative and regulatory purposes.

In fact, the APCC is where this numbers project all began. When the association was working before the Federal Communications Commission (FCC) to develop regulations for implementing the payphone provisions of the Telecom Act, it needed data to accurately demonstrate call traffic patterns from IPPs. The association developed a sample group that would accurately reflect all the IPPs in the United States (local exchange carrier [LEC] payphones are not included). Currently, 23 companies that operate more than 100,000 phones are participating in what is known as the SMDR Project (station message detail reports). These companies are submitting monthly call data from 4,400 payphones in 32 states. They're tracking and reporting information on completed call counts and duration. The APCC defined a completed call for this project by setting an acceptable duration for each type of non-coin call. The payphones are at a wide variety of locations, including hotels, motels, convenience stores, gas stations, restaurants, business districts, shopping malls, apartment buildings, truck stops and casinos.

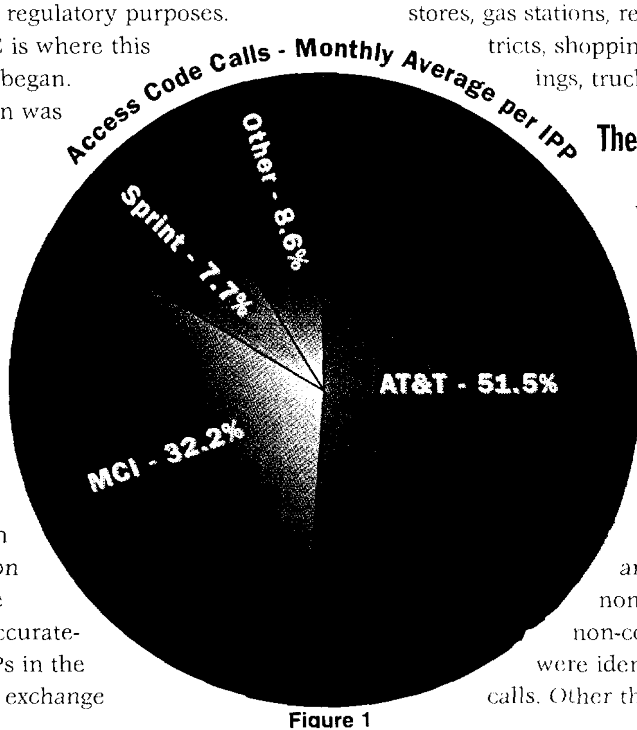
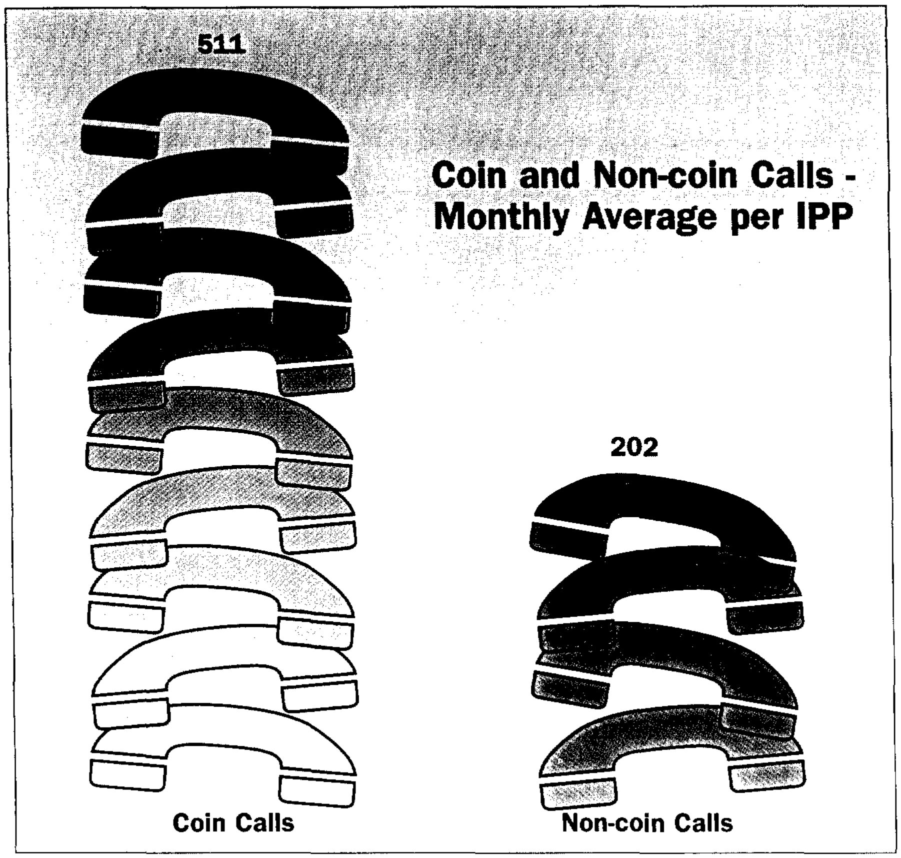


Figure 1

The results

At the time this article was prepared, the APCC had been able to crunch 11 months' worth of data, from February to December 1996. In this time period, the data showed an average of 713 completed calls per payphone per month. Of these, 511 (72 percent) were coin calls, and 202 (28 percent) were non-coin calls. Of the 202 non-coin calls, 39 (19 percent) were identified as access code calls. Other than subscriber 800 calls,



the rest of the non-coin calls broke down as follows: 24 (12 percent) were 0+ calls, 10 (5 percent) were 0- calls, 5 (2 percent) could be positively identified as prepaid card calls, 2 (1 percent) were 00- calls, 12 (6 percent) were 411 calls, and 2 (1 percent) were 555 calls. The remainder of the non-coin calls, which totaled 108 (53 percent), appear to be subscriber 800 calls.

Of the 39 access code calls per month, AT&T received 20.1 calls (51.5 percent), MCI received 12.6 calls (32.2 percent), Sprint received 3 calls (7.7 percent), and the remaining carriers received a total of 3.3 calls (8.6 percent).

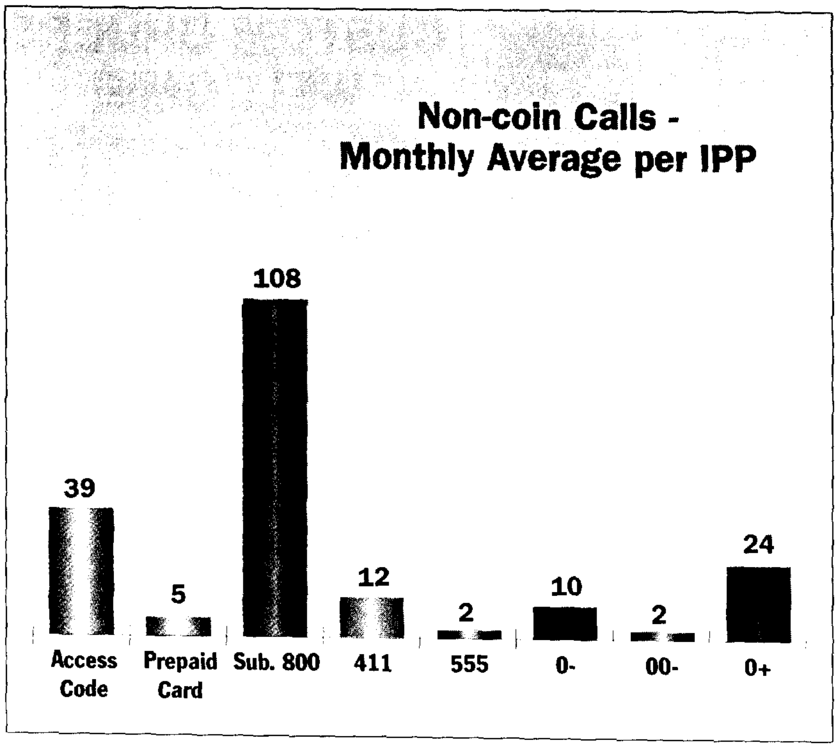
This of course brings us to dial-around compensation. The 1996 data showed an average of 152 dial-around calls per payphone per month: 108 (71 percent) were subscriber 800 calls, 39 (26 percent) were access code calls, and 5 (3 percent) were prepaid card calls. (To prevent any confusion, we

Dial-around Stats - Monthly Average per IPP*

Call Counts 1996	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Access Code Calls	31	40	38	44	39	46	49	35	39	38	32
Prepaid Card Calls	3	3	3	3	4	7	7	6	6	5	4
Subscriber 800 Calls	75	98	96	102	107	111	122	103	130	126	119
411	10	11	11	13	15	14	12	14	12	10	11
555	1	2	2	1	2	2	2	2	3	2	2
0-	11	10	10	11	12	13	11	9	8	7	7
00-	1	1	1	1	2	2	2	2	3	2	2
0+	29	31	26	27	25	25	28	20	19	18	16
Non-coin Calls Total	161	196	188	203	205	219	233	191	219	210	195
Coin Calls Total	423	505	468	535	536	556	544	526	524	494	509
Coin & Non-coin Total	584	701	656	738	742	775	777	716	744	704	703

Call Percentages 1996	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Access Code Calls	**20%**	**20%**	**20%**	**21%**	**19%**	**21%**	**21%**	**18%**	**18%**	**18%**	**17%**
Prepaid Card Calls	2%	2%	2%	2%	2%	3%	3%	3%	3%	3%	2%
Subscriber 800 Calls	**47%**	**50%**	**51%**	**50%**	**52%**	**51%**	**53%**	**54%**	**59%**	**60%**	**61%**
411	6%	6%	6%	6%	7%	6%	5%	7%	6%	5%	6%
555	**0%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**
0-	7%	5%	6%	6%	6%	6%	5%	5%	4%	4%	4%
00-	**1%**	**0%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**
0+	18%	16%	14%	13%	12%	11%	12%	11%	9%	9%	8%
Non-coin Calls Total	**28%**	**28%**	**29%**	**27%**	**28%**	**28%**	**30%**	**27%**	**29%**	**30%**	**28%**
Coin Calls Total	72%	72%	71%	73%	72%	72%	70%	73%	71%	70%	72%

** Due to rounding, the totals in this table may not be exact.*



should note that the APCC had previously submitted dial-around data to the FCC that showed a total of 142 dial-around calls per month: 99 [70 percent] were subscriber 800 calls, 40 [28 percent] were access code calls, and 3 [2 percent] were prepaid card calls. These stats were based on three months' worth of data; the current results are from 11 months' worth of data.)

A few trends

The 1996 data also revealed what many of you already knew: coin-sent paid is the predominant type of call made from payphones, representing 72 percent of all calls. Concerning non-coin calls, subscriber 800 is the most prevalent call type. In fact, this category increased from 47 percent of all non-coin calls in February to 61 percent of all non-coin calls in December. Access code calls declined slightly throughout the year: 20 percent in February, a high of 21 percent in May, July and August, and a low of 17 percent in December.

Regarding other types of non-coin calls, directory assistance calls remained consistent during 1996. As for operator-assisted calls, 0- calls declined slightly during the year: from 7 percent in February to 4 percent in December. The 00- calls remained relatively flat (at 1 percent), while 0+ calls decreased dramatically, from 18 percent in February to 8 percent in December.

Which IXCs are getting these non-coin calls? The top seven carriers receive 97.4 percent of all access code calls. This group consists of AT&T, MCI, Sprint, LDDS WorldCom, Frontier, LCI and Excel. Figure 1 shows the percentage breakdown by IXC.

Clearly, this new data justifies the level of dial-around compensation that was set in the FCC's Payphone Order. It also substantiates the move to per-call compensation, and verifies a few other trends we had suspected but had not been able to quantify. The APCC will continue to gather this information for use in its legal, legislative and regulatory efforts. If you'd like to participate or if you'd like more information about the project, please call me at (703) 385-5300, ext. 225. ■

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